

Message Text

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ACTION EUR-25

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AMEMBASSY BRUSSELS

AMEMBASSY ROME

AMEMBASSY PARIS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY DUBLIN

AMEMBASSY LONDON

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TAGS: EAID, GW

SUBJECT: FRG AID BUDGET FOR CY 1975

1. PROPOSED FRG EXPENDITURES FOR DEVELOPMENT ASSISTANCE
IN CY 1975 HAVE BEEN PRESENTED TO PARLIAMENT AS PART
OF THE OVERALL FEDERAL BUDGET AND ARE NOW BEING
CONSIDERED IN COMMITTEE. PROPOSED APPROPRIATIONS FOR ALL
FOREIGN AID PROGRAMS, INCLUDING THOSE CONTAINED IN
BUDGETS FOR MINISTRIES OTHER THAN THE MINISTRY FOR
ECONOMIC COOPERATION, AMOUNT TO DM3.6 BILLION (\$1.4
BILLION AT THE RATE OF \$1 EQUALS DM2.61) AN INCREASE
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OF 8.6 PERCENT OVER APPROPRIATIONS FOR 1974 PROGRAMS.

SINCE THE PROPOSED FEDERAL BUDGET WILL INCREASE BY 12.9 PERCENT IN 1975, THE AID SHARE IN THE OVERALL BUDGET WILL DECLINE TO 2.36 PERCENT IN 1975 FROM 2.45 PERCENT IN 1974 AND 2.60 PERCENT IN 1973. IN ADDITION TO THESE APPROPRIATIONS, THE FRG SPENDS APPROXIMATELY DM240 MILLION (\$90 MILLION) FROM THE ERP (EUROPEAN RECOVERY PROGRAM) SPECIAL ACCOUNT, AND BUDGETS OF THE INDIVIDUAL LAENDER INCLUDE ABOUT DM40 MILLION (\$15 MILLION) FOR AID PURPOSES. ALL OF THESE EXPENDITURES ARE NORMALLY REFLECTED IN THE FRG'S ANNUAL AID PERFORMANCE DATA.

2. THE GOVERNMENT HAS ALSO REQUESTED DM3.4 BILLION (\$1.3 BILLION) IN OBLIGATIONAL AUTHORITY FOR FUTURE AID DISBURSEMENTS. THIS REPRESENTS A SHARP DECLINE FROM THE 1974 LEVEL OF DM5.6 BILLION (\$2.15 BILLION). THE 1974 OBLIGATIONAL AUTHORITY CONTAINED A NUMBER OF NON-RECURRING ITEMS, INCLUDING DM861 MILLION (\$331 MILLION) FOR IDA, DM700 MILLION (\$269 MILLION) FOR YUGOSLAVIA, DM188 MILLION (\$72 MILLION) FOR IDB, AND DM50 MILLION (\$19 MILLION) FOR THE FAO FOOD PROGRAM. AFTER ALLOWING FOR THESE ITEMS, THERE IS STILL A NET DECLINE OF DM 326 MILLION (\$125 MILLION). OBLIGATIONAL AUTHORITY FOR CAPITAL AID WAS REDUCED BY DM 167 MILLION (\$64 MILLION); AUTHORITY FOR TECHNICAL ASSISTANCE WAS REDUCED BY DM 223 MILLION (\$86 MILLION), WHILE AUTHORITY FOR MULTILATERAL AID WAS INCREASED BY DM 42 MILLION (\$16 MILLION).

3. THE FRG MEDIUM-TERM FISCAL PLAN FOR FOREIGN AID FROM 1975 THROUGH 1978, WHICH COVERS ONLY APPROPRIATIONS SET FORTH IN THE AID MINISTRY'S BUDGET, PROJECTS INCREASES OF 15.6 PERCENT IN 1976, 18.6 PERCENT IN 1977 AND 19.1 PERCENT IN 1978 IN AID SPENDING COMPARED WITH OVERALL BUDGET INCREASES OF 10.2, 8.8, AND 7.9 PERCENT, RESPECTIVELY. IF THESE PROJECTIONS ARE FULFILLED, IT WILL STILL BE POSSIBLE FOR THE FRG TO ACHIEVE A DOUBLING OF ITS OFFICIAL AID PERFORMANCE IN 1978 (DM5.24 BILLION - \$2.0 BILLION) OVER 1973 (DM2.55 BILLION - \$1.0 BILLION). THIS IS THE GOAL

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WHICH HELMUT SCHMIDT, THEN FRG FINANCE MINISTER, HAD PLEDGED IN NAIROBI. HOWEVER, IT IS MOST DOUBTFUL THAT THE FRG WILL REACH THE GOAL OF 0.42 PERCENT OF GNP AS THE SHARE FOR OFFICIAL DEVELOPMENT ASSISTANCE BY 1978.

HILLENBRAND

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